

Appendix D

Avila Economic Development Perspectives

DRAFT MEMORANDUM

To: Kimmie Nguyen, County of San Luis Obispo
From: Benjamin C. Sigman and Ashley Boots
Subject: Avila Economic Development Perspectives
Date: November 20, 2020

The Economics of Land Use



The County of San Luis Obispo (County) engaged Economic & Planning Systems, Inc. (EPS) to provide a qualitative view of economic development opportunities and constraints in the Avila community. EPS engaged a roster of stakeholders representing various perspectives on economic development in the Avila community, including local employers, business leaders, and real estate experts.

EPS conducted a series of stakeholder interviews by phone and video conference, primarily in a one-on-one setting. The stakeholders provided insights concerning evolving local economic conditions, and the potential for planning and economic development actions to enhance economic opportunity in the community.

EPS conducted nine interviews with ten economic development stakeholders. We are grateful for contributions made by the participants in the interview process:

Chuck Davidson, President and CEO, Visit SLOCAL

John King, Owner, Sycamore Springs/ King Ventures

Justin Hodges, Owner and Lead Instructor, Avila Beach Surf School

Loreli Cappel, Senior Project Director, Economic Vitality Corporation

Maria Kelly, Executive Director, Economic Vitality Corporation

Raven Lukehart, General Manager, Avila Valley Barn

Rob Rossi, Owner, Avila Golf Resort/ Rossi Enterprises

Terri Hicks, Owner, Seven Sisters Vacation Rentals

Trish Kesselring, Owner, Peloton Cellars

Vincent Shay, Owner, Avila Beach Paddlesports

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The Avila economic development interviews allowed participants to opine on current economic conditions and to provide input on planning and economic strategy. The goal of the interview process is to establish an understanding of current and potential future economic activities in the community. Based on background information and interview findings, EPS synthesized Avila's primary economic strengths, weaknesses, opportunities, and threats. This effort identifies salient economic development considerations for the Avila Community Plan.

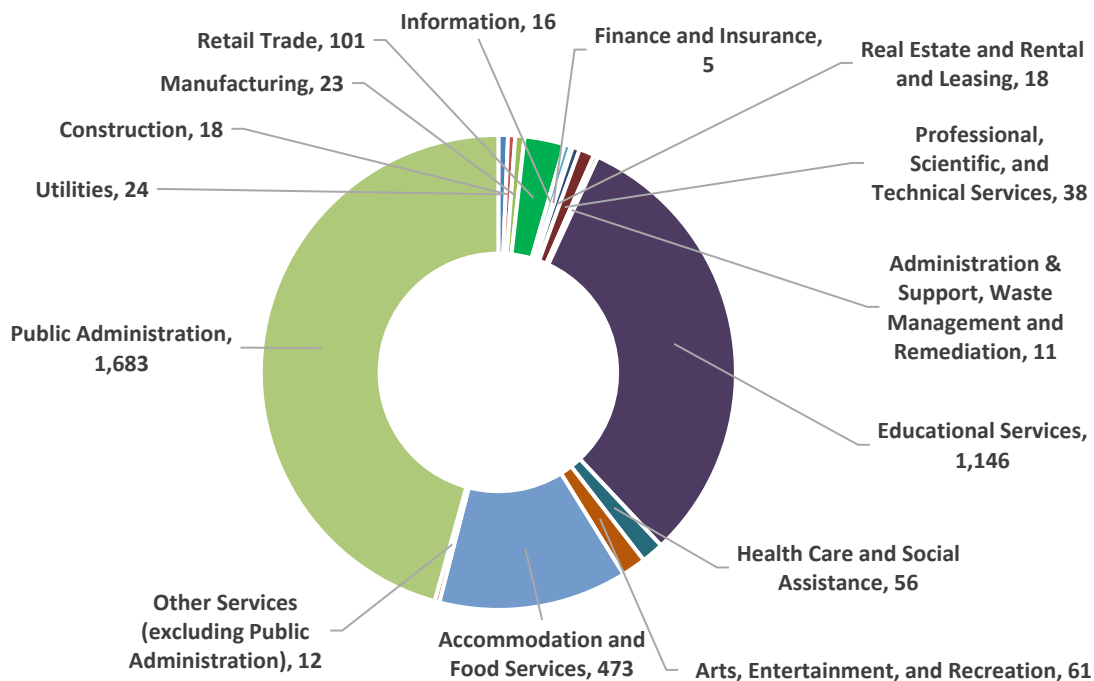
Avila Economic Overview

Avila is a 6-square-mile unincorporated community located in the Central Coast subregion of San Luis Obispo County. The beach itself, which is less than a half mile long, serves as a regional draw of visitors, and the local economy depends on these visitors. The local population is only about 1,273 residents, up by nearly 25 percent since 2010.¹ The community population is older than California as a whole, with a median age of 63.3, compared to 37.5 statewide. Median household income (in inflation-adjusted dollars) has increased over the years, from \$70,513 in 2010 to \$84,455 in 2018, but did drop from \$100,076 in 2017.²

Local Economy

The Town of Avila economy relies upon tourism activity, while the broader community also supports a very significant number of public administration and educational services jobs. **Figure 1** presents the distribution of employment in Avila, including tourism-related industries like Accommodation and Food Service, and Arts, Entertainment, and Recreation.

Figure 1. The Avila Economy—Jobs by Industry (2017)



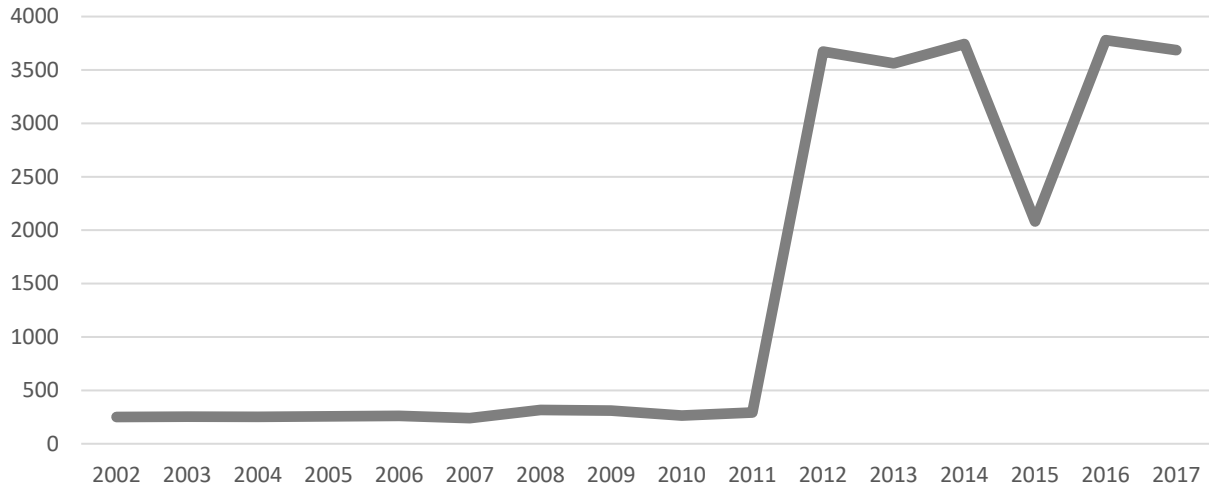
Source: US Census Bureau; LEHD On The Map data for Avila Beach CDP.

¹ 2018 American Community Survey 5-Year Estimate (Table B01003).

² 2010 - 2018 American Community Survey 5-Year Estimate (Table S1901).

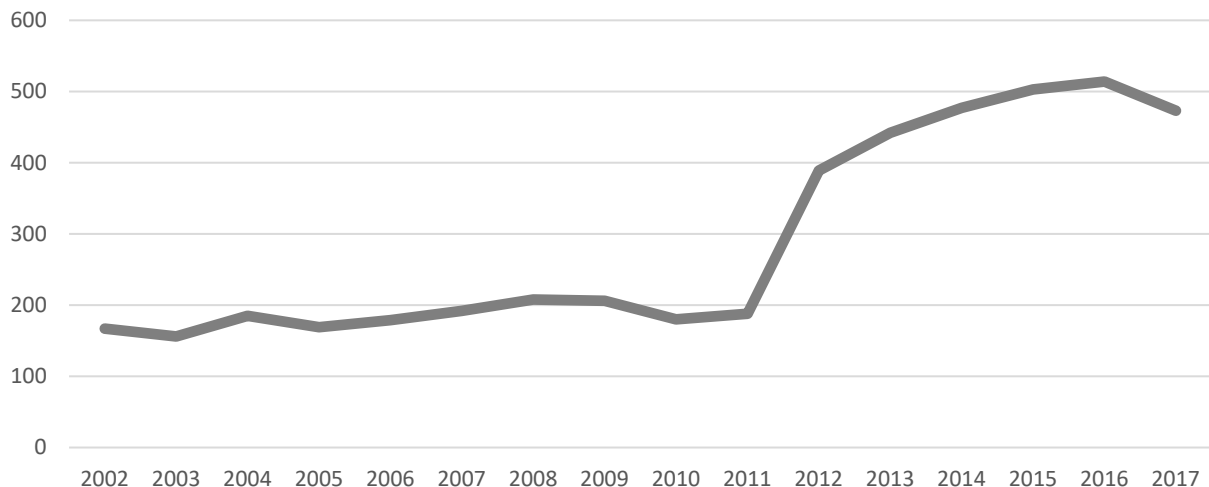
The number of jobs in Avila saw a dramatic jump from 2011 to 2012, when over a thousand new educational services jobs arrived in the community. After a drop in 2015 due to job losses in Transportation and Warehousing, Wholesale Trade, and Other Services (excluding Public Administration), jobs numbers recovered but are currently on a slight downward trend (**Figure 2**). Accommodation and Food Service jobs, and Retail jobs have been growing over the years, especially since 2011, but have both seen decreases in the most recent year, down 41 jobs and 13 jobs respectively (**Figure 3** and **Figure 4**). Arts, Entertainment, and Recreation jobs saw the same boom in 2011, but have dropped by 54 percent since 2015 (**Figure 5**).

Figure 2. The Avila Economy—Total Jobs Trend



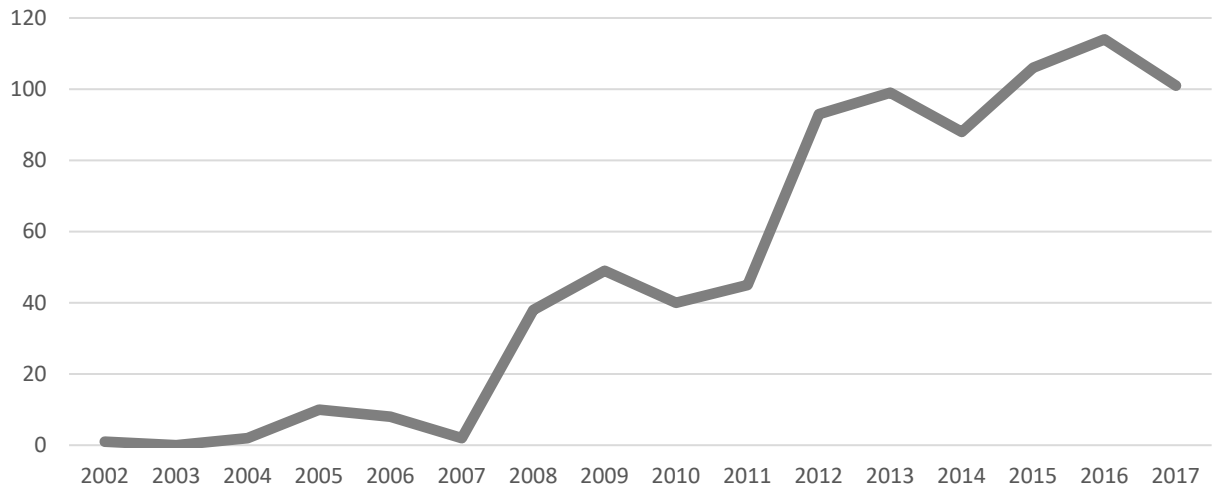
Source: US Census Bureau; LEHD On The Map data for Avila Beach CDP.

Figure 3. The Avila Economy—Accommodation and Food Service Jobs Trend



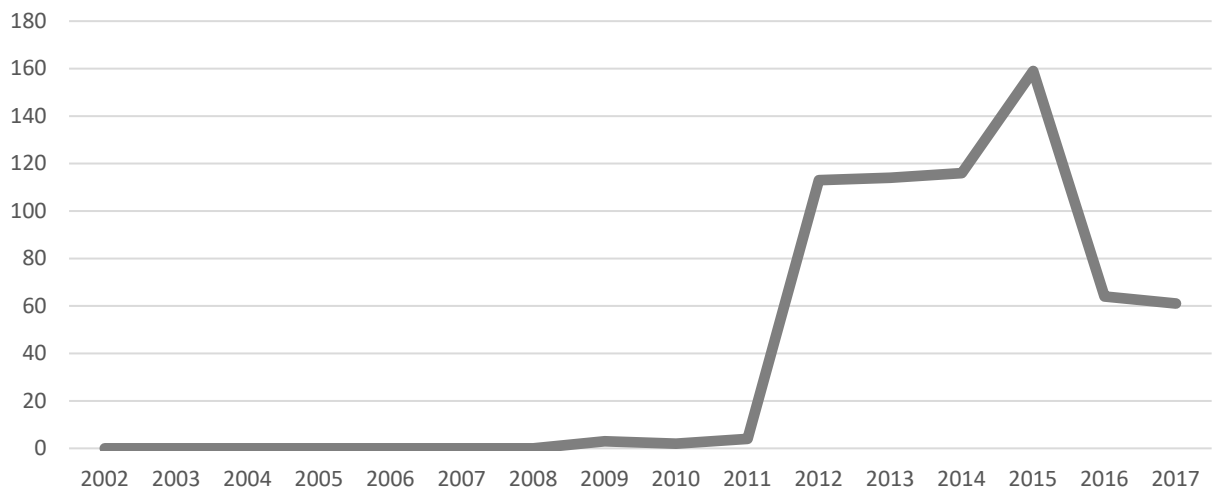
Source: US Census Bureau; LEHD On The Map data for Avila Beach CDP.

Figure 4. The Avila Economy—Retail Jobs Trend



Source: US Census Bureau; LEHD On The Map data for Avila Beach CDP.

Figure 5. The Avila Economy—Arts, Entertainment, and Recreation Jobs Trend



Source: US Census Bureau; LEHD On The Map data for Avila Beach CDP.

Strengths-Weaknesses-Opportunities-Threats (SWOT) Analysis

An understanding of local and external factors affecting economic development in the community may inform the strategic direction and priorities of the Community Plan update. This Strengths-Weaknesses-Opportunities-Threats (SWOT) Analysis seeks to organize qualitative information gathered from interviews to evaluate Avila's economic conditions and opportunities to identify salient economic development considerations.

The economic development interview outputs are organized by categorizing comments into positive and negative factors (strengths and weaknesses) and forward-looking assessments (opportunities and threats). Strengths and weaknesses tend to be current characteristics that are inherent to the location, some of which can be influenced by or integrated into economic development efforts in the short and medium term. Forward-looking factors, opportunities and threats, are influenced by outside forces, some of which may be beyond the control of local the community and its planning process.

EPS prepared this research as the nation and world seek to address the coronavirus pandemic, an unprecedented public health crisis. During March and April 2020, the economic fallout from the pandemic was significant and abrupt. Given that the length and severity of the coronavirus pandemic are still unknown, economic implications will depend fundamentally on how the crisis unfolds. The current consensus is that negative economic impacts are likely to dissipate, although the exact pace and timeframe for economic recovery remain unclear.

While the Avila Community Plan is long range planning and the economic development interviews did not focus on Covid-related challenges, respondents did comment that Avila appears to be faring relatively well. One business owner reported "having an exceptional year because people are locked down and they have more time to spend outside of their home." Shelter in place has allowed people to work from anywhere in the world, and Avila is a desirable choice. In thinking about future demand, another business owner expressed strong optimism for growth. "It's not like we're going to going to build something and they will come. They're coming, and were going to build something."

The following offers a digest of the economic development interviews conducted for the Avila Community Plan. The points made by respondents and summarized here have been organized by theme. The reporting is intentionally anonymous and no direct quotations are attributed. The following interview summary has not been fact checked and does not reflect EPS professional opinion.

Strengths

Unique Climate and Beach

Avila's most often cited strength is its local microclimate. It is well known locally as the sunniest and warmest beach in the County. When it is foggy elsewhere, Avila Beach often is the place beachgoers seek out for sun. The beach is completely south facing, and protected from stronger winds and waves within the bay. In addition, the Avila beach-front promenade is also a draw. Noted as "the biggest public improvement in any of the beach towns in years", the promenade has become well known regionally since it was completed and respondents commented that it attracts more visitors to town.



Photo credit: RRM Design Group

Ample Recreation/ Entertainment Opportunities

Avila is commended for a number of high-quality outdoor activities. In addition to beach recreation, the area is known for biking, hiking, and birding. The bike trails are especially treasured, with the Bob Jones Trail serving as an attraction to residents and tourists alike. Additionally, humpback whale viewing from the fishing pier has been a boon for local tourism, a unique experience that has attracted throngs of visitors. Another important outdoor activity in Avila is events at the Avila Beach Golf Resort. With some events generating thousands of visits to Avila, outdoor concerts and other events at the Golf Resort make this venue a distinctive asset. Being one of only two major venues in San Luis Obispo County, the Golf Resort's events often draw local and regional attendees, as well as tourists.



Photo Credit: Bruce W. Howard, the Tribune

Charming and Safe Community

Avila is commonly characterized as “one of the last charming California beach communities”, and the “cool, quaint, quintessential California beach community with the boardwalk”. It’s a kid and family-friendly destination for visitors, and feels safe to those that live and work there. One interviewee commended “the sheriff on doing an outstanding job in keeping area safe.” Part of Avila’s draw also seems to be in its predictability of its recreation and leisure offerings. According to one interviewee, “Everyone who goes to Avila, whether it’s for dinner or drinks, knows what they’re going for, and wants more of the same.”

Downtown Destination

Avila’s compact but charming downtown layout creates an approachable, walkable entertainment district that appeals to locals and visitors. With restaurants, shops, and hotels concentrated within a 12-block district, businesses benefit. According to local proprietors, downtown is thriving and businesses recognize the value of being in Avila’s downtown. Downtown Avila is an economic strength regionally, with one interviewee stating they are “very encouraged by what’s going on in this area (the County) and Avila is one of the key assets.” Accommodation businesses downtown have been doing very well, with occupancies anecdotally reported at above 85 percent, and some short-term vacation rentals charging upwards of \$1,000 per night in some cases. One interviewee reported that “Avila is as good as parts of Big Sur”, in terms of desirability, market demand, and revenue potential.

Infrastructure and Public Services

Economic development interviews probed on the adequacy of local infrastructure, including access, water supply, and sewer services. Generally, Avila is considered well served with sufficient capacity to support current populations and planned growth. One interviewee reported that the Avila has plenty of water and sewer capacity, three emergency routes, and robust fire-protection services. While infrastructure and public services reportedly are non-prohibitive to business, some interviewees did find room for improvement, as discussed below.

Weaknesses

Constrained Capacity

Roadway Access

Avila Beach Drive's role as the primary artery in and out of the community is viewed by some as a hinderance that will always limit capacity. This limited access is a source of "resident heart ache and heart burn" when its clogged up, and visitors fear there is "no way to get out of community if road is closed."

Parking

A number of interviewees cited limited parking as a key issue, particularly for business owners downtown, but also for visitors wanting to enjoy the beach for the day. From a visitor perspective, the lack of parking can divert would-be visitors altogether (i.e., because visitors anticipate a chaotic experience, they choose another destination). One interviewee suggested that when potential visitors contemplate a trip Avila Beach, they may start to go elsewhere in search of convenience, stating "you're probably not going to be able to find parking. You should probably just go to Cayucos – the beach less travelled."

Because beachgoers arrive to Avila earlier in the day, they tend to absorb all the parking, leaving few spots for late-arriving visitors. For business owners, the limited parking means employees sometimes drive around searching for a spot for 40 minutes. Even worse, customers can spend just as long searching for a spot, never find one, and decide not to visit their establishment at all. These parking constraints may be limiting business potential. One respondent indicated that their growth is challenged by parking access, and if they can't continue to grow the business will not be able to stay in Avila.

Land Supply

From a land availability perspective, Avila is largely built out, and this build out contributes to crowded conditions. Some interviewees view the community as already at full capacity, with no growth potential. One interviewee said that in their built-out state "the place is saturated." Many reported that the community cannot support additional overnight accommodations because they don't see where they could be developed. Besides increasing visitation to daytime activity draws like spas or wedding venues, interviewees stated they "don't know what else Avila can really handle".

Seasonal Economy

A challenge to the Avila economy is its lack of year-round activity and foot traffic. In the winter, people do not visit the Coast in the same numbers. Plainly, it is "hard for a business to make it 12 months out of the year, if [tourism] is their primary business." The high concentration of visitor-serving businesses in the economy also means that there is a limited diversity of business activity. One respondent noted that "If you were staying for a couple days, you wouldn't have everything you needed in one place." Interviewees also stated that the needs of the residents and senior community need to be attended to, whether it's more restaurants, or shops, or services, for the economy to feel more balanced and resilient.

Ongoing Maintenance and Local Reinvestment

A business owner who is also a resident noted that Avila is one of the larger contributors to Transient Occupancy Tax (TOT) revenue for the County, but doesn't feel like these funds come back to the community proportionately. Citing instances of underinvestment in maintenance, such as in the summertime when Avila is flooded with garbage and sidewalks and gutters are

dirty, more transparency for TOT-fund uses would be appreciated. The respondent also noted that the Avila Beach Pier (closed for three years) and the sea containers that have been stored in the beachside parking lot for nearly two years are issues the community would like to see remedied as quickly as possible.

Slow Growth Sentiment

Businesses are cognizant of the resident aversion towards growth in their community. Described as “NIMBYism” (Not in My Backyard), respondents indicate that the resident population generally is not supportive of business expansions or additional visitors coming to town. Some residents in businesses have experienced challenging neighborhood relations, with some local residents “trying to control an entire area, rather than recognizing that other people have rights.”

Limited Wayfinding

For businesses that aren’t fortunate enough to be located directly on the waterfront promenade, getting enough foot traffic can be challenging. One interviewee attempted to increase the visibility of their business by teaming up with neighbor businesses to get a sign installed. After a lengthy approval process, and the contribution of their own funds, they were able to get a sign. Unfortunately, it’s a “very tiny and ugly” one. Their small business success hinges on customers being able to find their services, and simple improvements such as better signage visibility or a kiosk with a map could result in more customers reaching more businesses.

Infrastructure Inadequacies

While one business owner stated that Avila had sufficient infrastructure, others brought up a differing perspective. One business representative reported trying to work with the Community Services District to extend the sewer line out to reach his business, and had a number of challenges with the process, primarily owing to neighbors who do not support the applicant’s proposed extension. The applicant noted potential environmental consequences from not letting the business and others connect, as the current septic system is susceptible to periodic floods. Claiming witness to the KOA mobile home park system contamination of the creek during those floods, this interviewee shared that “fines are on the verge of being issued because of the creek’s unacceptable water quality”.

Governance

A number of governing entities have jurisdiction in Avila, including the Community Services District, the San Luis Obispo Local Agency Formation Commission (LAFCO), and Port San Luis Harbor District. An interviewee desired for these public-serving agencies to collaborate more effectively. Respondents indicated that the Port San Luis Harbor District in particular can be challenging to work with, and some view District parameters governing the beach area are restrictive. Management policies aren’t communicated to the public in a clear and transparent fashion. For some small businesses that rely on the waterfront (e.g., surf schools), operating at Avila Beach has become too restrictive. One business reported leaving Avila for State beaches where regulation is more supportive for business use. From this interviewee’s perspective, better local governance is needed.

Opportunities

Alternative Access

While automobile access to Avila continues to be challenging, the business community sees opportunities to bring people into Avila by non-automotive means, including by bike, bus, or boat. The bike trails in and around Avila are well used, and creating more connections by bike

trail would be a low-impact avenue for increasing access. Numerous respondents cited the bike path connection between Avila and San Luis Obispo as an important priority, from both a local-serving and a tourist perspective. "All I know is that once its in, its going to be dynamic and amazing," praised one interviewee.

Bringing people in via buses or shuttles from an off-site parking location could also be an effective strategy for easing roadway congestion and promoting economic development. An example is observed in the free trolley service that runs from the Pismo Outlet Centers. Some commented that this service could be expanded, and incentives to ride could be continued (e.g., "trolley bucks" that can be used at the farmer's market).

Increased access from the water also may be an option worth exploring. Interviewees mused about potential water shuttle service operating between Morro Bay, Avila, and Pismo Beach. Such service could take advantage of existing pier infrastructure and effectively bring people in for a daytime experience. Capturing tourism from expedition ships, as was planned by Lindblad Expeditions and National Geographic a few years ago, also brings possibilities, although the challenge of disembarking in rough seas would have to be somehow managed. In general, there does seem to be a "huge potential market for more coastal opportunities."

Development and Growth

Avila Point is one of the few remaining development opportunities in the area. Interviewees suggested that the site should be carefully planned to increase economic benefit from the Avila Community Plan. The concept of turning the area into a park was viewed with some disapproval, due in part to access issues and suitability for recreation. Another perspective was that the "place needs to be viewed as regional resource that entertains people." Others pointed out that the site already is well served by infrastructure and is well positioned for development.

In addition to thinking about the future of Avila Point, interviewees commented that growing small businesses locally is desirable, including mobile businesses such as food carts or trucks. Interviewees indicated that local regulations are a barrier to entry. However, expansion of a variety of small businesses could lead to more breadth and diversity in the local economy.

Finally, Avila's Coastal Zone accommodations regulations are restrictive, and might be reconsidered. Additional licensing of housing for vacation rentals would increase accommodation supply, without necessarily having to build additional structures to achieve the same end. One interviewee explained that currently within the Coastal Zone, the County overlays a stipulation of only allowing one vacation license every 50 yards. If additional vacation rental licensing is allowed, additional tourism would benefit local business.

Year-Round Economy

Avila is a beautiful destination, around the clock and around the year, but is currently visited primarily during the daytime in the summer months. Promoting what Avila has to offer during the "shoulder seasons" could be a way to bring steadier business to the local economy. Drawing in more activity in the morning and evening is another strategy that could promote business activity, without overburdening current capacity constraints.

Community Events

Expanding events that highlight Avila's unique brand could help to sustain and enhance the economy. Beyond the big events that are held at the Golf Resort, the Apple Festival is a beloved family-friendly event in town that showcases one of Avila's best assets. Creating more events similar to the Apple Festival, that promote uniquely-Avila offerings, would be well-supported. In

terms of further events programming ideas, one interviewee cited Arroyo Grande as a community to look to.

Growing the Business Community

An interviewee recalled that there used to be a business association that would meet on a regular basis, but that dissolved after a few key members moved away. The Avila Beach Civic Association has emerged as a substitute, but is more focused on the residents than businesses. A re-establishment of the business-focused association would be welcomed, as some businesses have noticed a disconnect between businesses in Main Avila and the Port San Luis Harbor District in particular. Having a unified association could bring benefit to all of the businesses, with more voices effectively communicating concerns and needs among the community. "If we had representation at a bigger group, I think things could get done. It's so fractured down here," expressed a different interviewee.

Traffic Flow Clarity and Street Improvements

While the number of roads in Avila is limited, the way they are laid out can still lead to some confusion around traffic flow, with an interviewee specifically citing frustrations when trying to go navigate downtown. More one-way streets, that could be opened up to two ways for emergencies, might be worth studying. Also related to street infrastructure, the same interviewee explained that the County hasn't built curb and gutter cuts in parts of the residential area. This leads to confusion around where parking is allowed, and where pedestrians are safe. There should be better delineation for automobiles and pedestrians in these areas. Furthermore, increased emphasis on traffic calming could improve safety on Avila's streets. Lastly, respondents expressed interest in attendant-staffed parking, to encourage efficient parking and to ease congestion.

Threats

Diablo Closure

Currently supporting approximately 1,500 high-paying jobs, PG&E's Diablo Canyon Power Plant future closure is anticipated to affect the County economy. Some respondents believe the impact will be "bigger than people imagine." However, impacts likely will be dispersed throughout the County, and the local economic impact in Avila may be relatively minor. With an average of 200 Diablo employees estimated to live in most of the County's cities, the constricting of expendable income will likely be felt more in those locations than in areas without Diablo-employed residents. While Avila is home to the plant, respondents indicated that economic effects in Avila are not expected to be dramatic, due to limited employee spending in the community.

Rising Property Values

The increase in property values, while a boon to owners, could be detrimental for some business operations. If business costs continue to escalate, it will be increasingly challenging for local businesses to survive in Avila. Rising costs of business are a concern throughout California, but the issue is particularly pointed in land constrained, high-barrier-to-entry coastal California communities.

Fire Protection Risk

Some interviewees did express concern over water capacity from Lopez Lake. One interviewee noted that Lopez Water is periodically shut down, creating fire protection risk in Avila. Ontario Road, the road hugging Cabrillo Highway from San Luis Obispo, was also claimed to not have fire coverage. The interviewee expressed that while their process to get a permit approved has been

arduous (taking two years, and costing several hundred thousand dollars in traffic fees) the County "shouldn't be issuing more permits to anyone if they're not going to take care of life safety matters".